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C O N F I D E N T I A L SECTION 01 OF 04 TAIPEI 001363

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SUBJECT: EAP/ANP DIRECTOR MCGANN'S JUNE 9-11 VISIT TO TAIPEI

Classified By: AIT Director Stephen M. Young, Reason 1.4 (b/d)

¶1. (C) Summary: During his June 8-11 visit to Taipei, EAP/ANP Office Director C. Steven McGann commended Taiwan for its significant contributions to the South Pacific region and urged Taipei to conduct its foreign assistance and other activities in an open and transparent manner that promotes democracy, rule of law, and good governance. Taiwan Vice Foreign Minister Catherine Chang told McGann that Taipei views his visit as a positive continuation of the US-Taiwan dialogue on the South Pacific initiated by Assistant Secretary Hill in Nadi last year. Chang underscored Taiwan's

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willingness to enhance cooperation with the U.S. in the South Pacific, particularly on Fiji. She stressed that Taiwan will continue to withhold the "grassroots" funding it had previously provided to the Fijian Prime Minister's office until the restoration of a democratically elected government in Suva. McGann also met with Taiwan officials from MOFA, NSC, and ICDF, as well as Australian and New Zealand representatives, to exchange views on foreign assistance, economic cooperation, and capacity building in the South Pacific. End Summary.

Director McGann's Message

¶2. (C) During his June 8-11 visit to Taipei, EAP/ANP Office Director C. Steven McGann commended Taiwan for its positive contributions to countries in the South Pacific. Noting that the U.S. and Taiwan share democratic values, McGann urged Taiwan officials to ensure that Taipei's foreign assistance and other activities are conducted in an open and transparent manner that promotes democracy, rule of law, and good governance. McGann explained that U.S. regional assistance is moving towards capacity building, technical cooperation, and developing trade and economic opportunities with the ultimate aim of creating "sustainable individuals." McGann encouraged Taipei to work with its South Pacific partners to help them take advantage of the potential USD multi-billion

in opportunities that the relocation of U.S. forces from Okinawa to Guam will create in the South Pacific. McGann also recommended Taiwan enhance information sharing and exchanges with EAP/ANP and other U.S. government agencies and NGOs that work on regional issues to discuss other areas of bilateral cooperation.

13. (C) Despite Taiwan's largely positive role in the South Pacific, McGann underscored that the U.S. remains concerned that Taipei's "grassroots" payments to local politicians and other under-the-table assistance undermine good governance. McGann stressed that Taipei should not weaken the international sanctions against the military regime in Suva by making such payments to the Fiji Prime Minister's office. The U.S. remains neutral with respect to the competition for diplomatic recognition between Taipei and Beijing, but Washington insists that both sides should conduct their foreign assistance programs in accordance with international standards of accountability and transparency, McGann added.

#### Taiwan's Response

14. (C) Taiwan Vice Foreign Minister Catherine Chang (Siao-yue) told Director McGann on June 11 that Taiwan is more than willing to enhance cooperation with the U.S. in the South Pacific, particularly on Fiji. Chang said she viewed McGann's visit as a positive continuation of the US-Taiwan dialogue on the South Pacific initiated by Assistant Secretary Hill in Nadi last year. She stressed that Taiwan

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is committed to withholding the grassroots funding it had previously provided to the Fijian Prime Minister's office until the restoration of a democratically elected government in Suva. Chang emphasized that this decision will not be affected by Taiwan's loss of formal recognition by Costa

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Rica, which she attributed to Beijing's dollar diplomacy.

15. (C) Despite the domestic pressures on MOFA and President Chen's administration resulting from that break, Chang said Taipei's decision on Fiji underscores Taiwan's commitment to abide by international norms of foreign assistance. Taiwan is committed to promoting good governance and rule of law in the region. Chang suggested that the political situation in Suva, nevertheless, remains unstable and unlikely to return to democracy in the near future, but she reiterated that Taipei would honor its pledge not to "make friends" with the coup regime. Chang urged the U.S. to encourage Beijing, which she noted is recognized by Suva and has a stronger motivation to support the military government, to respect the international sanctions.

16. (C) Chang said that although derecognition by Costa Rica was a "heavy blow," Taiwan has faced bigger diplomatic challenges in the past and managed to not only survive but thrive. She underscored that Taiwan will work hard to solidify its remaining diplomatic relations because these allies give Taipei a voice in the international arena. Chang asserted that Taiwan's official presence in the South Pacific, Central America, and Africa also serves U.S. interests. Chang said maintaining a dialogue with Australia, New Zealand, Japan, and the U.S. about Taiwan's foreign assistance and other activities in the South Pacific is important for dispelling any "misunderstandings" and establishing areas of cooperation. She invited Washington to send a representative to the Second Taiwan-Pacific Allies Summit, scheduled for October 13-15 in the Marshall Islands, to observe the proceedings and further the dialogue. Director McGann said he would inform Washington of the invitation.

17. (C) MOFA Director-General for East Asia and Pacific

Affairs Donald Lee (Chuan-tong) in a separate meeting the same day expressed his appreciation for the ongoing U.S.-Taiwan dialogue on South Pacific affairs. Lee said that as a donor Taipei tries its best to provide assistance in as transparent and responsible a manner as possible, but added that sometimes local politicians from the receiving countries do not effectively use the funds provided by Taiwan. Lee stressed that Taipei is committed to improving its oversight.

For example, Lee pointed out that Taipei recently decided to send 50 auditors to supervise the distribution of "grassroots" funds in the Solomon Islands. Lee suggested that his department is working to shift the focus of its foreign aid policy in the South Pacific to capacity building and trade promotion in order to better complement U.S. priorities for the region.

18. (C) Lee emphasized that, nevertheless, a key part of his department's work in the region will remain strengthening diplomatic ties with the 6 countries that recognize Taipei. Taiwan needs allies to retain a voice in the international arena and to show it is a sovereign country, Lee explained. Having partners in the South Pacific also helps Taiwan protect its more than USD 5 billion fishing interests in the region. Lee pointed to Costa Rica President Arias' recent criticism of Taiwan "stinginess" as evidence that Taipei is not engaged in "dollar diplomacy." In dollar terms, Lee continued, Taipei can't compete with Beijing but has "no choice" but to work to maintain relations with the countries that recognize Taiwan.

19. (C) Director McGann said that Washington has taken note of Taiwan's decision not to provide weapons to Solomon Islands police, to enhance dialogue with Australia, and to cooperate with the Regional Assistance Mission to the Solomon Islands (RAMSI). Taiwan should put considerations of diplomatic recognition aside to focus on such efforts, which show Taipei is able and willing to comply with international

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norms, added McGann. Lee characterized friction with Australia over weapons training as a "misunderstanding" and added that reports Taiwan intended to also provide weapons to the Sogavare government were "untrue" rumors. Lee pointed to meetings between the International Cooperation and Development Fund (ICDF), Taiwan's USAID equivalent, and AUSAID and NZAID this February as a sign that Taipei is improving its communication and cooperation with Canberra and Wellington. Lee expressed hope that Australia and New Zealand could raise future meetings from the deputy-level to the principal-level and include Foreign Ministry officials since the ICDF is only one component of Taiwan foreign assistance.

ICDF Willing to Enhance Cooperation

10. (C) ICDF Secretary General Chen Cheng-chung in a separate meeting on June 11 stressed to Director McGann that the ICDF's assistance work is completely accountable and transparent. Chen explained that the fund focuses on providing aid in the form of agricultural projects, medical missions, information technology, and financial assistance to small and medium enterprises. Chen said the ICDF is open to working with the U.S. in a "low key" manner to better coordinate assistance in the South Pacific, noting that its first-ever meetings with AUSAID and NZAID in February focused on improving accountability. Chen expressed his desire to hold similar meetings with the U.S. ahead of the Pacific Island Forum Donor's Conference. Chen added that as a "foundation," rather than a government agency, participation by the ICDF would minimize "political" considerations and allow the discussions to focus on humanitarian assistance. Director McGann praised ICDF's transparency and its assistance, particularly its deployment of medical missions to the South Pacific. He suggested that the ICDF expand contacts with the U.S. Department of Interior and Health and

Human Services to enhance cooperation in the South Pacific.

NSC On the Same Page

¶11. (C) National Security Council (NSC) Senior Advisor for Japan and Pacific Affairs Lin Cheng-wei told Director McGann in a meeting on June 9 that Taiwan highly values working with the U.S., particularly in the South Pacific. Pointing to the Palau Declaration that resulted from the first Taiwan-Pacific Allies summit last year, Lin suggested that Taiwan's priorities for the region--economic development, capacity building, and social and cultural exchanges--closely parallel U.S. goals. Lin explained that the NSC is working to expand Taiwan's approach to the region beyond a traditional focus on the competition with Beijing for diplomatic recognition to include the long term goal of providing sustainable growth. In particular, Lin said Taiwan has extensive commercial interests in the region's fishing industry as well as a strategic interest in the event of a conflict across the Taiwan Strait. To enhance Taiwan's coordination with other donor states, Lin suggested that Taiwan would like to participate in multilateral forums; McGann responded that the U.S. finds working with Taiwan bilaterally the most productive approach.

AUS/NZ Concerns over Solomon Islands Training & Fiji

¶12. (C) Director McGann also exchanged views with Australian Acting Representative Harry Genn and New Zealand Director Clare Fearnley on June 10. Genn emphasized that Australia sees some of Taiwan's activities, such as the "grass roots" payments to local politicians, as destabilizing and undermining Australian effort to shore up faltering governments in the South Pacific. Genn cited Taiwan's recent offer to train the SI Coast Guard as the latest example,

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noting that Australia has managed to talk Taiwan into reducing the training to one week. Nevertheless, Glen said Canberra remains concerned that Taiwan's venture into police and coast guard training could open up security and defense as arenas of competition between Beijing and Taipei, which would have long-term destabilizing effects on the region. Both Genn and Fearnley expressed their government's appreciation of U.S. cooperation and assistance in enforcing the international sanctions against the military regime in Suva.  
YOUNG